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BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

GARY PIERCE - Chairman
BOB STUMP
SANDRA D. KENNEDY
PAUL NEWMAN
BRENDA BURNS

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AZ CORP COMMISSION
DOCKET CONTROL

Arizona Corporation Commission

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JAN 17 2012

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[Signature]

IN THE MATTER OF THE APPLICATION OF
TUSAYAN WATER DEVELOPMENT
ASSOCIATION, INC. FOR ESTABLISHMENT
OF RATES FOR WATER SERVICE.

DOCKET NO. W-02350A-10-0163

IN THE MATTER OF THE APPLICATION OF
ANASAZI WATER CO., LLC FOR
ADJUDICATION "NOT A PUBLIC SERVICE
CORPORATION."

DOCKET NO. W-20765A-10-0432

IN THE MATTER OF THE APPLICATION OF
HYDRO-RESOURCES, INC. FOR
ADJUDICATION "NOT A PUBLIC SERVICE
CORPORATION."

DOCKET NO. W-20770A-10-0473

PROCEDURAL ORDER

BY THE COMMISSION:

On April 29, 2010, Tusayan Water Development Association, Inc. ("Tusayan") filed with the Arizona Corporation Commission ("Commission"), in Docket No. W-02350A-10-0163 ("Tusayan Docket"), a rate application using a test year ending December 31, 2009.

Since that time, through a series of events more fully described in the Procedural Orders issued in this matter on April 20 and August 17, 2011, processing of Tusayan's rate application has been suspended; Tusayan has been deemed to have filed an adjudication application; Tusayan's adjudication application has been consolidated with the adjudication applications filed by Hydro-Resources, Inc. ("Hydro") and Anasazi Water Company, LLC ("Anasazi"); intervention has been granted to Tusayan Ventures LLC ("T Ventures") and to the Town of Tusayan ("Town"); the Commission's Utilities Division ("Staff") has found all three adjudication applications to be sufficient; and late intervention has been granted to Squire Motor Inns, Incorporated ("Squire"). As a result of Squire's late intervention, it was determined that a hearing scheduled for September 9, 2011, would proceed only for the purpose of public comment and a procedural conference to discuss

1 whether the evidentiary portion of the hearing should commence on the second scheduled day of
2 hearing, September 21, 2011.

3 On September 9, 2011, the proceeding was convened as scheduled before a duly authorized
4 Administrative Law Judge at the Commission's offices in Phoenix, Arizona, with all of the parties
5 appearing through counsel. No members of the public attended to provide public comment. During
6 the procedural conference, Tusayan, Hydro, Anasazi, and Squire opposed going forward with the
7 hearing, as they had been engaging in settlement discussions and had reached a "conceptual
8 agreement" to have Hydro become a Certificate of Convenience and Necessity ("CC&N") holder and
9 acquire the property necessary to provide service through a single unified water system, although a
10 number of tasks would need to be completed for that to occur. Tusayan, Hydro, Anasazi, and Squire
11 had been keeping Staff informed regarding their discussions, and Staff stated that the settlement
12 discussions were encouraging but that September 21 would be too soon for a hearing to proceed
13 specifically to review a settlement agreement. Hydro suggested that the parties be afforded additional
14 time to work toward settlement and that a status conference be held in 60 to 90 days. Staff asserted
15 that a shorter time period would be preferable. T Ventures and the Town stated that they would
16 prefer to have the evidentiary hearing proceed on September 21, as T Ventures was working with the
17 Town to begin development, and the Town and T Ventures were eager to have the water issues for
18 the area resolved. The Town stated that it still ultimately desired to have a municipal water
19 department to serve the area. It was determined that having the evidentiary portion of the hearing
20 proceed on September 21, 2011, would be premature; that the hearing on September 21, 2011, would
21 be vacated; and that a procedural conference would be scheduled for early October 2011 to obtain
22 updates on the parties' positions in these consolidated matters and proposals as to how the matters
23 should proceed. The parties were encouraged to work together toward resolving the matters, were
24 cautioned to avoid any arrangements that could be viewed as self-dealing; and were provided the
25 opportunity to use the Hearing Room for the remainder of the day to engage in settlement
26 discussions. A Procedural Order was issued the same day memorializing the parties' positions taken
27 at the procedural conference and the determination made there and scheduling a procedural
28 conference for October 7, 2011.

1 On October 7, 2011, the procedural conference convened as scheduled before a duly
2 authorized Administrative Law Judge of the Commission, with all parties appearing through counsel.
3 It was reported that Tusayan, Hydro, and Anasazi had memorialized the broad terms of their
4 conceptual settlement agreement into a draft settlement agreement document ("draft"), which had
5 been routed to the other parties the day before. Anasazi characterized the draft as a "framework for
6 additional discussions." The parties reported that the draft called for the signatures of all parties and
7 would have Hydro obtain the property and rights necessary to become the water utility and CC&N
8 holder for the area, although Hydro would maintain its contractual relationship with Squire so as to
9 continue obtaining water from Squire and using Squire's storage tank.¹ T Ventures, the Town, and
10 Staff all indicated that they had not yet had sufficient time to scrutinize the draft. T Ventures
11 requested that a hearing be scheduled. The other parties supported allowing additional time for the
12 parties to work out the remaining issues not yet resolved in the draft and scheduling a procedural
13 conference to have the parties report their progress. It was determined that another procedural
14 conference would be held in approximately 45 days. A Procedural Order was issued on October 13,
15 2011, scheduling a procedural conference to be held on November 21, 2011.

16 On November 21, 2011, a procedural conference convened as scheduled before a duly
17 authorized Administrative Law Judge of the Commission, with all parties appearing through counsel.
18 The parties reported that additional progress has been made toward settlement and that all parties are
19 now expected to enter into a Settlement Agreement. In addition, it was reported that Anasazi, Hydro,
20 and Tusayan are working on a separate agreement regarding the transfer of property and rights to
21 Hydro ("Transfer Agreement"), with the goal being for Hydro to obtain the infrastructure and rights
22 necessary to operate a unified water system for the Tusayan service area. Regarding the best means
23 for Hydro to seek CC&N authority, Staff suggested that Hydro apply for a new CC&N and that
24 Tusayan apply to cancel its CC&N, with the two cases running concurrently. It was determined that
25 another procedural conference would be held in approximately 45 to 60 days. A Procedural Order

26
27 ¹ Hydro indicated that Squire would only allow for Squire's well and storage tank to be acquired for the water system
28 in the event of condemnation by the Town. Hydro was directed to analyze the efficiencies and effectiveness of having the
contractual relationship continue rather than having Hydro obtain the assets from Squire.

1 was issued on November 22, 2011, scheduling a procedural conference to be held on January 17,
2 2012.

3 On January 17, 2012, a procedural conference convened as scheduled before a duly
4 authorized Administrative Law Judge of the Commission, with all parties appearing through counsel.
5 The parties reported that progress continued both on the Settlement Agreement to be entered by all
6 parties and on the Transfer Agreement, regarding which Hydro and Anasazi had met in late
7 December to discuss three areas still to be resolved—those facilities and assets to be transferred to
8 Hydro, those facilities and assets that will be subject to a use agreement, and easements. The parties
9 stated that they intend to have both the Settlement Agreement and the Transfer Agreement executed
10 at the same time and within the next 45 days. The parties agreed that this proceeding should also
11 resolve the cancellation of Tusayan's CC&N and Hydro's application for a new CC&N and that the
12 applications as to both of those should be filed promptly after the Settlement Agreement and Transfer
13 Agreement are executed.² The parties indicated that they would like to have another procedural
14 conference in 45 to 60 days, at which time they intend to be in a position to discuss the scheduling for
15 the matters to move forward to hearing. It was determined that another procedural conference would
16 be held in approximately 45 to 60 days.

17 Thus, it is now necessary to schedule another procedural conference in this matter. In
18 addition, it is reasonable and appropriate to require the parties to ensure that copies of the Settlement
19 Agreement are filed promptly upon execution and, further, to require Tusayan and Hydro to file their
20 respective CC&N-related application/s within two weeks following the execution of the Settlement
21 Agreement.

22 IT IS THEREFORE ORDERED that a **procedural conference** shall be held on **March 19,**
23 **2012, at 10:00 a.m.,** in Hearing Room No. 1, at the Commission's offices at 1200 West Washington
24 Street, Phoenix, Arizona 85007, to obtain updates on the parties' positions in these consolidated
25 matters, to discuss how the matters should proceed, and to discuss the scheduling of an evidentiary
26 hearing and other procedural requirements.

27 ² Although the parties thus far have indicated that they desire to have Tusayan's CC&N cancelled and a new CC&N
28 issued to Hydro, Tusayan and Hydro should not be foreclosed from instead having Tusayan's CC&N transferred to
Hydro, should they ultimately determine that a transfer of the CC&N would be preferable.

1 IT IS FURTHER ORDERED that **upon execution** of the Settlement Agreement by the
2 parties, the parties shall **ensure that copies of the Settlement Agreement are filed** in this docket.

3 IT IS FURTHER ORDERED that **Tusayan** Water Development Association, Inc., and
4 **Hydro Resources, Inc., shall, within 14 days after the execution** of the Settlement Agreement by
5 the parties, **file their application/s** regarding the transfer of Tusayan's Certificate of Convenience
6 and Necessity to Hydro or the cancellation of Tusayan's Certificate of Convenience and Necessity
7 and Hydro's request for a new Certificate of Convenience and Necessity.

8 IT IS FURTHER ORDERED that the Administrative Law Judge may rescind, alter, amend,
9 or waive any portion of this Procedural Order either by subsequent Procedural Order or by ruling at
10 hearing.

11 DATED this 17th day of January, 2012.

12
13 
14 SARAH N. HARPRING
ADMINISTRATIVE LAW JUDGE

15 Copies of the foregoing mailed/delivered
16 this 17th day of January, 2012, to:

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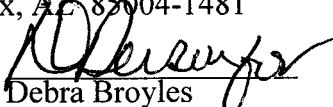
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